

## Highlights



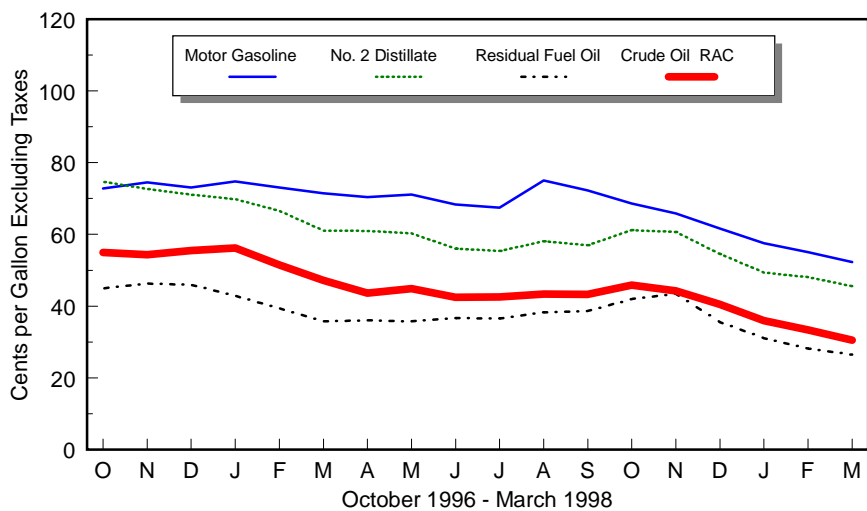
# Highlights

Despite abrupt increases during the latter part of March, international crude oil prices continued to react to high stock levels and substantial wellhead production. By mid-March, prices for many key crude oil streams had reached their lowest level since autumn 1988. Growing concern over slumping prices prompted discussions about production cut-backs by a number of oil producing countries in an effort to stabilize prices. A meeting between some members of the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC producer nations yielded an agreement during the weekend of March 21-22 that would reduce world crude oil production by as much as 2 million barrels per day. In reaction to the announcement, crude oil prices surged throughout international markets. Later in the month, OPEC scheduled an emergency meeting in Vienna, Austria to discuss production cuts solely within the group. But by the close of March, many benchmark crude oil streams' prices had retreated from the previous week's increases. The decreases were attributed to the limited level of proposed production cuts (1.25 million barrels per day) from the 16-member group and the ambiguity surrounding how the intended reductions would be calculated. It was unclear whether promised cuts would be counted from actual production rates or from quota levels that had yet to be reached by some countries. OPEC instituted a 10-percent increase for its production quota at the beginning of January, bringing the group's stated overall quota level to 27.5 million barrels per day.

March proved to be a volatile month for crude oil and refined product prices in the

United States. During the first half of the month, prices continued to erode as fundamental market conditions remained relatively unchanged from those observed during the past several months. Stockpiles continued to be well above year-ago levels and no firm prospects for a reduction in world crude oil production were in sight. In addition, more refining facilities came back online after seasonal maintenance which added pressure on prices, particularly for gasoline. However, by mid-month prices began to reverse direction. The combination of proposed cuts in global crude oil production, a spate of refinery problems, and reported reductions in gasoline stocks prompted prices to rise significantly during the last two weeks of the month. Additional factors included the beginning of a switch over to producing and supplying lower-RVP summer grade gasoline under the new Complex Model regulations and disruptions in the pipeline distribution system along the East Coast. Data indicate stocks of gasoline and distillate fuels registered tangible decreases along with solid

**Figure HL1. Crude Oil and Petroleum Product Wholesale Prices**



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	March 1998		February 1998		March 1997		March 1998		February 1998		March 1997	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	65.6	64.3	69.0	62.3	84.3	59.3	52.3	291.8	55.1	285.9	71.5	289.8
<b>Conventional</b> .....	64.3	39.0	66.5	36.5	81.8	36.1	49.8	196.1	51.9	189.5	68.2	195.5
Regular .....	60.4	27.1	62.7	25.5	77.9	25.6	47.8	150.7	49.9	146.9	66.2	151.0
Midgrade .....	69.5	6.1	71.7	5.7	87.9	5.7	53.3	15.7	55.6	14.8	72.2	16.1
Premium .....	77.2	5.8	79.6	5.3	95.5	4.8	57.9	29.8	60.3	27.7	76.8	28.3
<b>Oxygenated</b> .....	68.4	2.9	74.3	3.8	97.7	3.3	57.7	7.0	61.7	10.2	85.2	6.7
Regular .....	65.6	2.4	70.7	2.9	94.8	2.6	55.8	5.1	60.0	7.7	83.0	5.1
Midgrade .....	75.8	0.3	81.0	0.6	103.0	0.4	59.7	1.0	63.6	1.3	88.2	0.7
Premium .....	84.5	0.2	90.7	0.4	112.8	0.4	67.0	0.8	71.1	1.2	96.1	0.9
<b>Reformulated</b> .....	67.4	22.4	72.2	22.0	86.6	19.8	57.4	88.7	61.4	86.2	77.7	87.7
Regular .....	62.5	14.8	67.4	14.6	82.0	13.0	54.0	58.7	57.9	57.7	74.4	58.3
Midgrade .....	72.7	3.7	77.7	3.6	91.7	3.5	60.8	10.4	65.1	10.3	80.9	11.2
Premium .....	81.0	3.9	85.6	3.7	99.7	3.3	65.8	19.6	70.2	18.3	86.1	18.2
<b>Aviation Gasoline</b> .....	98.0	0.1	101.1	0.1	113.8	0.2	89.9	0.6	92.0	0.5	107.9	0.5
<b>Kerosene-Type Jet Fuel</b> .....	45.3	47.6	49.9	47.9	61.9	48.0	45.7	12.6	50.2	11.4	61.8	10.3
<b>Propane (Consumer Grade)</b> .....	43.8	4.1	44.7	4.9	57.3	3.3	31.3	33.7	33.1	38.9	41.3	28.1
<b>Kerosene</b> .....	65.3	0.3	68.2	0.3	NA	0.4	47.6	2.9	51.6	3.9	63.2	2.0
<b>No. 1 Distillate</b> .....	53.6	0.4	57.7	0.6	68.8	0.3	54.3	1.1	56.4	1.7	72.7	1.1
<b>No. 2 Distillate</b> .....	51.1	24.9	53.3	24.1	65.8	24.8	45.6	120.5	48.1	119.4	61.1	120.7
No. 2 Fuel Oil .....	53.9	2.6	53.8	3.0	66.4	2.6	44.9	32.0	47.7	35.3	57.7	35.7
No. 2 Diesel Fuel .....	50.8	22.3	53.3	21.1	65.8	22.2	45.8	88.5	48.3	84.2	62.5	85.0
Low Sulfur .....	52.5	14.3	54.7	13.6	67.4	14.6	46.2	73.9	48.6	69.2	63.1	70.1
High Sulfur .....	47.6	7.9	50.6	7.5	62.6	7.6	43.9	14.5	46.7	15.0	59.3	14.9
<b>No. 4 Fuel<sup>a</sup></b> .....	46.0	0.4	48.7	0.4	54.6	0.3	37.5	0.3	43.6	0.2	53.7	0.3
<b>Residual Fuel Oil</b> .....	28.4	15.9	32.7	13.5	40.3	13.8	26.5	12.4	28.2	10.2	35.8	9.5
Sulfur Content not > 1 % .....	35.6	4.2	39.6	3.1	49.3	3.2	29.4	5.5	30.7	4.1	39.6	3.0
Sulfur Content > 1 % .....	25.8	11.6	30.6	10.4	37.6	10.7	24.2	6.8	26.6	6.2	34.1	6.5

NA = Not available.

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

growth in demand for the second month in a row. Refiner sales of gasoline are estimated to have grown 2.3 percent from February's level, and sales of the major finished petroleum products rose 1.2 percent. Long-term low prices are seen as a significant factor behind rising rates of consumption, particularly for gasoline.

March market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma followed a wide-ranging path during March. Opening at \$15.44 per barrel, the price fell steadily during the next 2 weeks before reaching the month's low of \$13.41 per barrel on March 16. That price also marked the lowest price since October 1988. The price began to climb significantly shortly thereafter based on reports of stock draws and reports of an agreement to curtail crude oil production between some OPEC and non-OPEC exporters. The high of \$16.92 per barrel was struck on March 26. The price closed the month at

\$15.75 per barrel, marginally higher than where it began the month.

- Continuing the trend seen during the past several months, March monthly average crude oil prices fell in all categories of sales. The average domestic crude oil first purchase price fell 63 cents (5.2 percent), to \$11.53 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil decreased 81 cents (6.9 percent), to \$10.93 per barrel. The average landed cost of foreign crude oil declined 84 cents (6.4 percent), to \$12.28 per barrel.
- The monthly average refiner acquisition costs for domestic crude oil declined \$1.32 (8.9 percent), to \$13.45 per barrel. The average cost of imported crude oil to U.S. refiners fell \$1.09 (8.1 percent), to \$12.32 per barrel. The composite refiner acquisition cost of crude oil dropped \$1.22 (8.7 percent), to \$12.81 per barrel.

## Petroleum Products

### **Motor Gasoline**

The daily spot price for unleaded regular gasoline at New York Harbor was very dynamic during March. Opening at 45.1 cents per gallon, the price dropped precipitously until it reached the month's low of 39.2 cents per gallon. The price rose sharply due to a number of factors during the coming weeks, reaching the high of 50.6 cents per gallon on March 23. Closing the month at 47.0 cents per gallon, the price was nearly 2 cents above its starting point.

- Monthly average gasoline prices decreased in all categories of sales during March. The average price for retail sales of motor gasoline by refiners declined 3.4 cents per gallon to 65.6 cents per gallon while the average wholesale price fell 2.8 cents to 52.3 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets dropped 2.8 cents to 65.7 cents per gallon. The average wholesale price declined 2.6 cents, to 53.0 cents per gallon. The average dealer tank wagon (DTW) price decreased 3.4 cents to 58.8 cents per gallon. The average rack price subsided 2.5 cents to 50.7

cents per gallon. The average bulk sales price fell 2.4 cents, to 46.5 cents per gallon. The margin between reformulated and conventional gasoline prices shrank to 2.1 cents at retail, and 6.3 cents at wholesale. The margin between conventional and oxygenated gasoline prices decreased to 5.9 cents at retail and 7.6 cents at wholesale.

- Sales of finished motor gasoline by refiners remained on the upswing during March. Total sales rose 7.9 million gallons per day (2.3 percent), to an average of 356.1 million gallons per day. Retail sales increased 2.0 million gallons per day (3.2 percent), while wholesales rose 5.9 million gallons per day (2.1 percent). Rack sales explained 60.5 percent of total wholesales, while DTW and bulk sales made up 26.1 percent and 13.5 percent, respectively. Reformulated gasoline (RFG) comprised 31.2 percent of total motor gasoline sales, while oxygenated gasoline made up 2.8 percent of sales.

### **No. 2 Distillate**

Like the trends seen for other major products, the daily spot price for No. 2 heating oil at New York Harbor experienced a wide range of movement. After opening at 43.3 cents per gallon, the price slid during the following few weeks before hitting the low of 38.4 cents per gallon on March 16. Climbing considerably during the final half of the month, the price reached the high of 45.8 cents per gallon on March 26. The price closed the month at almost exactly the same level as where it began March.

- No. 2 distillate prices declined in all categories during March. The national average residential price fell 1.8 cents to 89.7 cents per gallon, while the average wholesale price dropped 2.6 cents to 47.0 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets decreased 2.0 cents, while the average wholesale price fell 2.4 cents. The margins between low- and high-sulfur diesel fuel prices were 2.2 cents at retail and 2.4 cents at wholesale.
- Refiner sales of No. 2 distillate were mixed during March. Total sales rose 1.8 million gallons per day (1.3 percent), to 145.4 million gallons per day. Sales of No. 2 fuel oil fell 3.7 million gallons per day (9.7 percent) while sales of No. 2 diesel fuel rose 5.5 million gallons per day (5.2 percent). Low-sulfur diesel fuel sales accounted for 79.6

percent of all refiner diesel fuel sales, and 60.7 percent of all refiner No. 2 distillate sales.

### ***Residual Fuel Oil***

- Monthly average residual fuel oil prices fell in all categories of sales again during March. Refiner prices for low-sulfur residual fuel declined 4.0 cents to 35.6 cents per gallon at retail and 1.3 cents to 29.4 cents per gallon at wholesale. Refiner high-sulfur residual fuel prices dropped 4.8 cents to 25.8 cents per gallon at retail and 2.4 cents to 24.2 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price declined 3.1 cents to 36.7 cents per gallon at retail and 1.8 cents to 30.8 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil dropped 4.2 cents to 26.8 cents per gallon at retail, and 3.3 cents to 24.6 cents per gallon at wholesale.
- In March, sales of residual fuel oil by refiners increased in all categories. Total sales rose 4.6 million gallons per day (19.4 percent), to 28.3

million gallons per day. Low-sulfur residual fuel sales climbed 2.5 million gallons per day (34.7 percent), while high-sulfur residual fuel sales rose 1.8 million gallons per day (10.8 percent).

### ***Other Products***

- Prices for other surveyed products fell during March. Refiner propane prices decreased 0.9 cent per gallon at retail, and 1.8 cents per gallon at wholesale. Including the sample of propane marketers, the average residential propane price dropped 2.8 cents per gallon. The average end-user and wholesale prices for propane decreased 2.3 cent per gallon and 1.6 cents per gallon, respectively. Retail and wholesale prices fell for aviation gasoline, No. 1 distillate, No. 4 distillate, kerosene, and kerosene-type jet fuel.
- Refiner volumes of sales for products included in this section were mixed during March. Sales of No. 4 distillate and kerosene-type jet fuel fell at retail but rose at wholesale. Propane, kerosene, and No. 1 distillate sales declined at both levels, while aviation gasoline rose at both levels.